

④

**Household**

VIA FACSIMILE 202-906-7755

January 2, 2001

Manager, Dissemination Branch  
Information Management and Services Division  
Office of Thrift Supervision  
1700 G Street, N.W.  
Washington, D.C. 20552  
Attn: Docket # 2000-94

Re: Proposed Rulemaking Regarding Application Processing

Ladies and Gentlemen:

Thank you for the opportunity to comment on the proposed changes to the Office of Thrift Supervision ("OTS") Application Processing Regulations (the "Proposal"). Household Bank, f.s.b. ("Household Bank") respectfully provides comments to the Proposal. Household Bank offers a variety of consumer loan products primarily through direct channels such as the telephone, Internet, and direct mail. At September 30, 2000, Household Bank owned consolidated assets totaling \$11.3 billion and is a subsidiary of Household International, Inc., a unitary thrift holding company.

We commend the OTS on its current efforts to update and streamline its application processing guidelines and procedures. In general, the revisions appear to clarify and document current practice. However, the OTS has specifically requested comments on how the formal and informal meeting procedures in 12 CFR Part 516 are operating in practice. On this topic, we do have specific concerns regarding the procedures for commenters to request an informal meeting relating to a pending application. These concerns arise both from the language of Part 516 and from our actual experiences during an application process where an informal meeting was requested.

While the application procedures as a whole provide very specific timeframes for processing, the meeting procedures in 12 CFR § 516.160-190 contain none. As

Manager, Dissemination Branch  
Information Management and Services Division  
Office of Thrift Supervision  
January 2, 2001  
Page 2

the OTS is aware, time is of the essence in numerous corporate transactions. Particularly in the context of mergers or acquisitions, delays can result in economic losses as the companies involved lose employees and employee productivity during the transition period. However, these types of transactions are also the most likely to attract comments from affected communities and individuals. According to OTS regulations, if a commenter files a complete comment pursuant to 12 CFR § 516.120(b) (including a statement of how the transaction might harm their or any community, along with a recitation of alleged supporting facts) and requests an informal meeting, the OTS will (i) arrange an informal meeting and (ii) "suspend applicable application processing time frames." 12 CFR §§ 516.170(a) and 516.190. Section 516.190 provides that the application time period will start to run again when "OTS determines that a record has been developed that sufficiently supports a determination on the issues raised by the comments." This language provides some structure to the process, but the procedures for requesting an informal meeting still appear to conflict with other provisions of Part 516. Specifically, 12 CFR § 516.260 requires the existence of "extraordinary circumstances" to stop the processing time frames. As described in the preamble to the Proposal, such circumstances may include "pending legislation" or "material litigation" that could have a "significant impact in processing of the application." These situations appear very different from circumstances where many requests for an informal meeting may be filed.

In light of the conditions required by proposed 12 CFR §516.260 to suspend application processing time frames, we suggest that not all requests and allegations by commenters should require a meeting, let alone be allowed to automatically stop a pending transaction.<sup>1</sup> While some comments may raise valid issues that are relevant to the OTS' consideration of the pending application, it is possible that other comments may contain factual allegations that are entirely false. In fact, the commenter may have no intention of ever attending the requested meeting, and might instead be making the request solely to have the processing of the application suspended. We suggest that bestowing

---

<sup>1</sup> While we do not have experience with how the formal meeting procedures have operated in practice, section 516.180(a) may also benefit from standards and time frames. In particular, the OTS may want to modify the statement that they "will grant all requests for a formal meeting filed under § 516.170(e)" (where a participant in an informal meeting requests a formal meeting).

Manager, Dissemination Branch  
Information Management and Services Division  
Office of Thrift Supervision  
January 2, 2001  
Page 3

this power on a commenter does not advance either the OTS' ability to effectively process transactions or the thrift industry's ability to operate efficiently.

To address these concerns, we suggest first that the regulation impose standards on the request for an informal meeting other than the fact that the commenter has recited certain alleged facts and a conclusion. For instance, language could be added that gives the affected applicant three days to respond to the allegations made by the commenter. (In connection with this suggestion, we support the proposed changes to 12 CFR § 516.130 requiring commenters to provide a copy of their comments directly to the affected applicant.) Twelve CFR § 516.170(a) could be modified to state that if the OTS makes a preliminary determination based upon available information that the allegations may have some merit, an informal meeting shall be arranged. The time frame for the arrangement of this meeting need not be open-ended, rather, 12 CFR § 516.170 could require the parties to be available to meet within the ten days following the submission of the comment.

Time frames could also be added to govern the creation of a record supporting the OTS determination of the issues raised by the comments. For example, this rule could provide a two-week period following the meeting to create the record. This period could be extended as necessary by the OTS, but not by either party (although, as in current practice, the OTS, the applicant, and the commenter could all agree that any issues had been resolved, ending the informal meeting process).

Finally, there does not appear to be any general need to arbitrarily halt the processing of a transaction and suspend applicable time frames while the informal meeting process is running its course. Rather, only if the OTS deems a comment to raise "extraordinary circumstances" as described by 12 CFR § 516.260, would suspension of the application processing time frames be appropriate. To effect this result, 12 CFR § 516.190 should be eliminated from the rule. Twelve CFR § 516.190's language regarding creation of a record to support an OTS determination of relevant issues could then be restated in section 516.260 and perhaps not limited to the informal meeting context.

In making these suggestions we are not dismissing the importance of public comments provided during various application processes. Rather, based on our

Manager, Dissemination Branch  
Information Management and Services Division  
Office of Thrift Supervision  
January 2, 2001  
Page 4

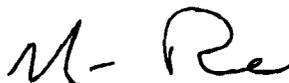
actual experiences under the 1997 version of 12 CFR § 516, we have considered where the process seems to lack structure and where the rule appears internally inconsistent. We suggest that these concerns may be addressed by the addition of specific standards and time frames along the lines of those outlined above, resulting in a more efficient process for the OTS, commenters, and the thrift industry.

As a technical matter, we trust that OTS will update the address for the Central Region in proposed 12 CFR § 516.40 (a)(2) to 1 South Wacker Drive in Chicago.

\* \* \*

Thank you for this opportunity to comment on the Proposal.

Sincerely,



Martha Pampel  
Senior Counsel  
Federal Regulatory Coordination  
(847) 564-7941

i:\hcs\law\hi0132\regcom\lots ap processing.doc